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U.S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

June 14, 2005

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The Honorable Joe Knollenberg, Chairman  
Subcommittee on Transportation, Treasury, HUD,  
The Judiciary, District of Columbia, and Independent Agencies  
2358 Rayburn House Office Building  
Washington, D.C. 20515

Dear Chairman Knollenberg:

We are writing to urge you to resist any effort to include a rider in the FY 2006 Transportation, Treasury, HUD, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill blocking implementation of a proposed Federal regulation authorizing financial holding companies and financial subsidiaries of national banks to engage in real estate brokerage and management activities.

Any legislative proposal purporting to govern the permissible activities of financial holding companies and national bank subsidiaries should be considered under regular order by the Committee on Financial Services. In that regard, please be advised of two recent developments. First, we have introduced H.R. 2660, the Fair Choice and Competition in Real Estate Act of 2005, which would permit financial holding companies and financial subsidiaries of national banks to engage in real estate brokerage and real estate management activities. Second, the Committee will hold a hearing on Wednesday, June 15, 2005, entitled "Protecting Consumers and Promoting Competition in Real Estate Services" in order to develop a better understanding of the legislative history in this area. It does violence to the legislative process for the Appropriations Committee to be making policy on an issue that is now the subject of active consideration in the Committee of primary jurisdiction.

By way of background, in 1999, Congress enacted the Gramm-Leach-Bliley Act. One of the central provisions of this historic financial modernization legislation authorized the Federal Reserve and the Treasury Department to update periodically a list of permissible activities for financial holding companies and national bank subsidiaries. Pursuant to this statutory authority, the Federal Reserve and the Treasury promulgated a proposed regulation in early 2001 that, once fully implemented, would permit financial holding companies and national bank subsidiaries to engage in real estate brokerage and management activities.

As you know, in the past three appropriations cycles, language has been adopted by the Appropriations Committee barring the Treasury Department from expending any funds to implement the real estate proposal. The result has been not only to impede the progress

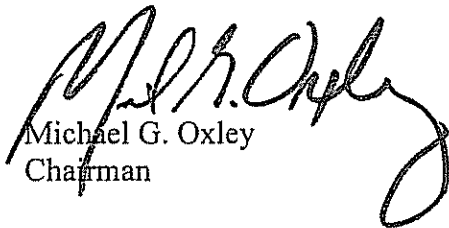
of this specific rulemaking, but to undermine the overall implementation of the Gramm-Leach-Bliley Act.

Since the Appropriations Committee last considered this issue in the context of the FY 2005 Omnibus Appropriations Bill, several developments have served to underscore the lack of competition that characterizes the marketplace for real estate brokerage services. Most notably, the Department of Justice's Antitrust Division and the Federal Trade Commission (FTC) have stepped up their scrutiny of the anti-competitive practices of large real estate conglomerates seeking to maintain their artificially high commission structure by stifling competition from lower-cost providers. The National Association of Realtors' efforts to block competition from the banking industry — facilitated by the Appropriations Committee's continued interference in the interagency rulemaking process — are part and parcel of their larger strategy to prevent market forces from gaining a foothold in the real estate brokerage business.

Accordingly, we reiterate our strong opposition to the inclusion of any language in the Transportation, Treasury, HUD, The Judiciary, District of Columbia, and Independent Agencies Appropriations Bill that limits Treasury's ability to bring its rulemaking — now well over four years old — to a proper conclusion.

If you have any further questions, please contact us or our staffs, and we will be happy to discuss this with you in greater detail.

Yours truly,



Michael G. Oxley  
Chairman



Barney Frank  
Ranking Member

MGO/jc

cc: The Honorable John W. Olver  
The Honorable Jerry Lewis  
The Honorable David R. Obey